

**B. FRANKLIN REINAUER II DEFENSE ECONOMICS PRIZE**

**IS THERE PROFIT IN IT?:  
REDEFINING THE ECONOMIC ELEMENT  
WHEN DETERMINING WHAT IS IN  
THE UNITED STATES' VITAL NATIONAL INTERESTS**

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While repeated restatement in public and political circles has rendered it an overused cliché, the United States *is* at a crossroads regarding its foreign policy and approach to national security. This juncture has been precipitated by America's current international political, economic, and military status.

On the one hand, the United States is the only remaining superpower, possessing an unsurpassed ability to project its power in response to practically any crisis it wants to in the world. The almost simultaneous American military deployments to Somalia, Rwanda, Northern Iraq, Bosnia, Haiti, and a host of smaller operations are testaments to the United States' current military power. To many observers, it appears that the only controlling influence on American power is the United States' desire and will to use its military might to protect American interests and control world events.

On the other hand, while the United States now has unhindered freedom and ability to choose when and where it will intervene to protect its national interests, the demand for American military "services" is on the rise. There appears to be no problem or strife in the world too big or too small that cannot be solved through "engagement" by the United States. Multilateral organizations, foreign governments, the media, non-governmental organizations, and domestic interests now demand the use of American military forces to stop civil wars, restore peace, and bring humanitarian relief. So the argument goes, all that is needed is the firm hand of American "commitment," as evidenced through its military forces, for peace, prosperity, and democracy to triumph. As a result, many observers view America's

seemingly envious international security position to also be a curse which makes American national security strategy reactive and relatively incoherent.

This predicament has been further complicated by the fact that American military intervention over the past five years has had a dismal record of success. While relative peace has returned to places such as Haiti, Rwanda, Bosnia, and Somalia, none of these "countries" exhibit any signs of long-term social, economic, or political stability. It can be argued that American military intervention in these countries did nothing more than impose a certain degree of military equilibrium and simply postponed an inevitable next round of unrest. Unfortunately, this temporary equilibrium was achieved at great expense to the American taxpayer and the U.S. military, with little or no political, economic, or military gain to the United States in return.

These recent experiences should make clear that no matter how worthy the objectives of U.S. intervention, these objectives can quickly fall victim to the social, economic, and political realities of a given situation. In each case, as the length of a U.S. intervention grows, the U.S. objectives and professed purpose for intervening shifts to match the prevailing conditions and interests, instead of focusing on American interests. The end result is that the rationale the United States gives when it intervenes in a country bear little resemblance to the reasons it stays or finally pulls out.

This "morphing" of objectives spawns ambiguity and uncertainty, outcomes which have not necessarily been lost on America's current political leadership. However, the lessons that have been learned are the wrong ones. Instead of distinguishing and defining the interests which must be threatened and protected before the United States will intervene in a situation, the focus has shifted to how the United States can perform peacekeeping and other "humanitarian" missions smarter, quicker and better. The idea seems to be that it is the way the United States is conducting these types of operations that is the problem, not the lack of identifiable interests and objectives. Consequently, the U.S. military is focused increasingly on the weapons, tactics, and infrastructure needed to engage in "operations other than war" without a clearer understanding of what it will take to "win" those operations. Without a fundamental comprehension of its interests and objectives, the United States can never "win" a military action in the foreseeable future.

Incredibly, simultaneous with this discord in its national security and military policies, the United States Government has exhibited a growing comprehension of its need to ensure that America can economically compete on a global basis. Increasingly, the United States Government, business interests, the media and the public understand the importance of foreign trade and the need to hone America's competitive position *vis-a-vis* its foreign economic rivals. It has become almost a matter of faith that the world is becoming a global marketplace and the United States must compete to maintain its economic, hence national, security. As a result, more and more U.S. Government resources are being employed to

lower trade barriers, attack unfair trade practices, and generally improve the American competitive position abroad.

This resurgence in the economic component of America's foreign and national security policy, however, is not reflected in its overall national security and military strategies. The United States spends inordinate amounts of money on its military capability, which it squanders by intervening in places that hold no prospect for economic rewards. Not only does this cost the United States a large amount of financial resources -- resources which can be used elsewhere to enhance America's competitive position -- it reduces the U.S. military's readiness to project power into regions where the United States does stand to gain economically.

It is time for the United States to resurrect the preeminence of the economic element in the definition of its "vital" national interests. Before the Second World War, the United States focused almost exclusively on its economic interests in deciding when and where to engage its military forces or extend its protective umbrella. The end of communism and the rise of capitalism around the world argue, if not demand, that our economic interests become the primary determining factor in the use of U.S. military forces in the future.

## ECONOMIC INTEREST WAS AMERICA'S VITAL INTERNATIONAL INTEREST

Since 1789, four long-term, vital national interests have formed America's worldview and national security policy: (1) defense of the homeland and its constitutional system; (2) enhancement of the nation's economic well-being and promotion of United States goods abroad; (3) creation of a favorable international security environment; and (4) promotion of democracy and the free market system.<sup>1</sup>

Of these vital interests, it has been the enhancement of the nation's economic well-being and promotion of United States goods abroad which assumed the preeminent interest. The tone was clearly set by our first president. In his Farewell Address in 1796, President George Washington stated that the United States should not become enmeshed in foreign affairs or military alliances because such would infringe upon the economic well-being of the United States and its ability to trade with other nations. For Washington, *The Great rule of conduct for us, in regard to foreign Nations is in extending our commercial relations to have with them as little political connection as possible.*<sup>2</sup>

This declaration by President Washington that the economic interests of the United States should take priority over political, social, ideological or military objectives, carried forward for the majority of America's history. It became quite clear, through both practice and policy, that the United States' foreign and national security policies were guided by what

was best for American economic interests. Military force was used to promote, protect, and preserve America's international economic interests.

This is illustrated by the foreign military actions engaged in by the United States from 1789 through 1945. In practically every case, it is clear that the United States engaged in those conflicts primarily for economic reasons even if other factors were present and contemporary rhetoric or public opinion suggested otherwise.

America's first wars, the Quasi-War with France (1798-1800), the Tripoli Campaigns (1801-1805), and the War of 1812 (1812-1815), were fought primarily over the United States' right to engage in unfettered economic relations with whomever it chose. The Mexican War (1846-1848) was fought to secure the United States' western and southern borders and solidify growing American interests in Texas and the Southwest.

These were followed by the preeminent example of the military being used to promote American economic interests: the "opening" of Japan by a United States Navy squadron under Commodore Matthew Perry (1854). Similarly, the Spanish American War (1898) was fought to protect American interests in Cuba and to garner the United States overseas possessions. The Open Door Policy in China (1900) was to preserve continued U.S. trade with that country in the face of European expansion.

American intervention in Latin America in the early part of this century, such as in Panama (1903), Haiti (1915-1934), Nicaragua (1912-1925, 1927-1933), Cuba (1906-1908, 1912, 1917, 1920), and the Dominican Republic (1905, 1916), were primarily to protect American investment and business interests in those countries. The tie between economic interests and military intervention was so blatant that Marine Corps Major General Smedley D. Butler lamented that *in his 33 years in the Marine Corps he acted as a racketeer for capitalism* and had helped in *the raping of half a dozen Central American republics for the benefit of Wall Street.*<sup>3</sup>

The United States' entrance into the First World War (1917-1919) was ostensibly over the country's ability to carry on trade with the Allies in the face of unrestricted submarine warfare. More nefarious motives were attributed to American industrialists and bankers who, according to Congressional investigators of the 1930s, pushed the United States into the war to stave off potential financial default by the Allies.<sup>4</sup>

America's concern over economic interests in China lead to confrontation with Japan in the 1930s. After the Japanese invaded China and then expanded its empire throughout the Far East, America's reaction led to the Japanese attack on Pearl Harbor and the United States entry into the Second World War (1941-1945).

## **IDEOLOGY ECLIPSES ECONOMIC INTERESTS DURING THE COLD WAR**

The preeminent position that the economic element held in determining American national security policy and national military strategy ended with the Second World War. This change was initially signaled by America's assistance to Great Britain to continue its war with Nazi Germany. American military assistance, although partially motivated by the economic relationship between the United States and Britain, was increasingly driven by American political and ideological concerns over the consequences that a Nazi victory would bring.

The end of the Second World War witnessed the shift in the primary objective of American foreign and national security policy from that of protecting, promoting and preserving American economic interests to that of ideology -- promotion of democracy. The penultimate event was President Harry Truman declaring in response to the communist threat to Greece that:

*At the present moment in world history nearly every nation must choose between alternative ways of life. The choice is too often not a free one. One way of life is based upon the will of the majority, and is distinguished by free institutions, representative government, free elections, guarantees of individual liberty, freedom of speech and religion, and freedom from political oppression. The second way of life is based upon the will of the minority imposed upon the majority. It relies upon terror and oppression, a controlled press and radio, fixed elections, and the suppression of personal freedoms.<sup>5</sup>*

Under the so-called "Truman Doctrine," ideology became the primary interest that America sought to advance internationally. In fact, as can be seen by his statement, capitalist economics was not even a noteworthy attribute of America's democratic society.

The world under the Truman Doctrine was ideologically bi-polar and any communist aggression was considered to be a threat to the national security of the United States. The United States would militarily confront the communists whether or not it had any immediate or near term economic interests in a particular country or would realize economic gain by intervening in a conflict. Consequently, the United States sought to counter the communists everywhere, and found itself fighting in places such as Korea (1950-1953), Viet Nam (1955-1973), Cambodia (1970-1973), Afghanistan (1980-1989), and Grenada (1983).

#### **THE END OF THE COLD WAR BRINGS UNCERTAINTY**

The fall of the Soviet Empire ruined the fairly simplistic worldview inherent in the ideological approach to national security. During the Cold War the United States took action in reaction to any Soviet or communist threat in any region of the world. The United States must now consider and justify why, when and where it will intervene.

Accomplishing this seemingly simple task has not been easy. The United States' leadership and intervention in Desert Shield/Desert Storm, driven primarily over the perceived danger of another oil crisis, appeared to signal the reemergence of the primacy of

the economic element of America's national security policy. However, since then, the United States has intervened in Somalia, Haiti, Rwanda, and Bosnia, places where American economic interests are minimal or non-existent.

In many ways it appears that the United States is still approaching its national security policy as if the Soviets and communists still existed. Instead of facing one threat, it is argued that the United States now faces many threats to its national interests, all equally dangerous.<sup>6</sup> The current Administration's policy of "engagement" seeks to counter all of these threats without identifying which *must* be stopped, which *should* be suppressed, and which *would be nice* to contain.<sup>7</sup>

As for economic interests, the United States's current policy views the world through a global prism. Any threats to the global system are threats to America's economic self-interests. Instead of evaluating whether a specific country is vital to United States' economic interests, any threat to "stability" or the "status quo" is somehow a threat to the entire world economic system.

The three core objectives of the current U.S. strategy of engagement are:

- ▶ Enhancing security. The United States must maintain a strong defense capability and promote cooperative security measures.
- ▶ Promoting prosperity. The United States will work with other countries to create a more open and equitable international trading system and spur global economic growth.

- ▶ Promoting democracy. The United States will work to protect, consolidate, and enlarge the community of free-market democracies around the globe.<sup>8</sup>

But what does this strategy and its objectives mean in a practical sense? This quote from President Clinton illustrates the troubling and unpredictable nature of the current policy:

*America cannot and must not be the world's policeman. We cannot stop war for all time, but we can stop some wars. We cannot save all women and children, but we can save many of them. We can't do everything, but we must do what we can. There are times and places where our leadership can mean the difference between peace and war, and where we can defend our fundamental values as a people and serve our most basic, strategic interests.<sup>9</sup>*

The result of this broad approach is U.S. military operations in northern Iraq, Bosnia, Macedonia, and Haiti; in all of which there are no U.S. economic interests at stake and which arguably present minor threats to the world system. In fact, each of these operations are economic drains on the United States and its military.

The fact that the United States can reach globally with its military forces should not lead to a broader understanding of its vital economic interests. The spending of its limited military resources on humanitarian and peacekeeping missions in regions that have no current or long-term prospects for trade and economic growth to compensate the United States for its expenditures -- and are not funded jointly by the international community that "benefits" -- is fool-hardy. Not every conflict or war threatens the global economic system, let alone America's economy and other vital interests. The United States must consider its economic

interests in both the global economic system *and* in individual regions before it commits its military forces.

## **THE NEW TEST**

The new interdependent world economy means that the United States must be able to compete globally. Within this system the military *must* be used to support long-term U.S. economic growth and development. This does not mean extending our territory or taking scarce resources. However, the United States should only engage in regions or conflicts which promote America's economic growth and global competitive position.

To determine what are its vital economic interests from both a regional and global perspective, the United States must have a new test for weighing where it should commit military forces. This test uses the following criteria:

- (1) How valuable are current U.S. economic interests in a specific country;
- (2) Are there alternative sources of supply or demand for the trade or resources from that country;
- (3) What are the long-term prospects for trade with that country, and will extending U.S. military protection or assistance enhance those prospects; and
- (4) Does a serious threat exist to the global economic system.

After evaluating a region or conflict using the above criteria, identifying those worthy of U.S. intervention or protection become clearer.

*How valuable is the economic interest?* This entails closely scrutinizing the monetary amounts and nature of America's current trade with or investment in a country that either currently or prospectively requires U.S. assistance or protection. For those countries that are major U.S. trading partners, or are the location of sizable U.S. investments, the United States should incorporate those nations in its national security and military strategies.

Consequently, while the United States is the largest trading nation in the world, the North American Free Trade Agreement (NAFTA) countries of Canada and Mexico embody the great bulk of American foreign trade; representing approximately one-third of U.S. imports and exports.<sup>10</sup> Trade with the European Union is approximately twenty (20) percent, followed by China and Japan. These nations or groups of nations are obviously of economic interest to the United States and should be considered candidates for inclusion in the national security and military strategies of the United States.

Conversely, Haiti, Bosnia, Rwanda and Somalia should not be included in U.S. national security and military strategies. These countries are minor trading partners with the United States, are the location of practically no U.S. investment, and export no products or resources that are critical to the United States.<sup>11</sup> Those nations or groups of nations that are obviously of no economic interest to the United States should not be considered candidates for inclusion in the national security and military strategies of the United States.

*Are there alternative sources of supply/demand?* Even if a country is a large or important trading partner of the United States, or the site of a great deal of U.S. investment, the United States may not need to protect those nations if alternative sources of supply/imports or demand/exports exist. If there are alternatives, then the United States may turn to those countries for supply/imports or demand/exports and avoid the use or commitment of military forces.

An example is oil. The oil markets are large and fluid and there is the opportunity to replace current sources of petroleum with others. U.S. imports from the Middle East compose ten (10) percent of U.S. oil imports, or five (5) percent of U.S. oil consumption. In fact, the three largest exporters of crude oil to the United States are Mexico, Venezuela, and Canada, which account for almost fifty (50) percent of U.S. imports or twenty-five (25) percent of U.S. consumption.<sup>12</sup> Consequently, Middle Eastern oil can be replaced by other sources. While it is recognized that there will be ripple effects if regional supplies are interrupted, the impacts of such interruptions need to be evaluated in light of the potential costs of U.S. military operations.

*What are the long-term prospects for trade and will U.S. military protection or assistance enhance those prospects?* The next criteria looks at whether a particular nation is of growing or declining economic interest to the United States. For those nations that are currently minor trading partners, they may become larger ones in the future. In those instances where current trade is growing and the prospects of trade increasing would be

enhanced by American military assistance, then that nation might be worthy of United States military intervention or protection. In such instances, military assistance is not simply a "positive" thing to do, but will actually enhance our economic interests.

Examples include those countries in the Association of Southeast Asian Nations (ASEAN), China, India, South Korea, South Africa, Poland, Argentina, Brazil, Mexico and Turkey. All these countries have been identified as *Big Emerging Markets*.<sup>13</sup> Those countries which show greater signs of growth and stability than others may be worthy candidates for inclusion in the U.S. national security and military strategies.

*Is there a threat to the global economic system?* Even if a particular country or region is not a major trading partner with the United States or a growing market and alternative sources of supply/demand exist, there may be certain conflicts or potential conflicts which threaten the global economic system and warrant possible U.S. military intervention or protection. Or, there are certain threats, which viewed in isolation do not imperil U.S. economic interests, but have the potential to destabilize a country or region that is of vital economic interest to the United States. The principal to this criteria is evaluating and understanding the actual threat and possible economic impacts of a specific situation, and should not be used to justify all military interventions.

An example is a potential war between Greece and Turkey. While both are modest trading partners with the United States and possess moderate U.S. investment, a war between

the two would not only diminish trade with those countries but complicate trade with Russia and the other nations that border on the Black Sea. Such an event could lead to a broader war over the Bosphorus. This would harm all the nations in the region at a critical time in the development of their national economies and energy supplies, and potentially damage the global economic system.

## **CONCLUSION**

However, there is another issue to consider. Even if a country or region fails the above criteria or ranks lower than others, will United States military assistance be compensated for by the nation or region in question or by the international community? In other words, will the United States be paid on a dollar-for-dollar basis for American military action or the extension of United States military protection? If the answer is yes, then U.S. military assistance may be warranted.

While this sounds mercenary, there are recent examples of this occurring. In Desert Shield/Desert Storm, the United States' intervention was paid more money by supporting nations than it expended. Individual countries partially pay for U.S. support or bases in their country, *e.g.*, Japan and Korea.

If countries are willing either individually or collectively to pay for U.S. military "services," regional presences or assistance should also be paid for. An example is the

South China Sea area where the United States is currently being looked upon by ASEAN nations to keep China at bay. The United States should not simply be asking for base rights, etc., to accomplish this task, but should also have those nations contribute to the defense budget of the United States to pay for the U.S. forces that are committed to or may be used in the region.

It is time that the United States return to its traditional test of weighing its economic interests in determining its national security and military strategies. In an increasingly global economy, where competitive position is everything, the United States must not become involved either politically or militarily in areas that are not serving its economic interests and enhancing its global competitive edge. Returning to this test will result in less U.S. military interventions, a smaller military (with less budget implications) and focused national security and military strategies.

## ENDNOTES

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